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West European Unity No Panacea for Economic Ills

WASHINGTON—The interest of the United States in adapting foreign policy to the world's changing circumstances can lead to basic revisions of our foreign and domestic policies if economic logic prevails. ECA Paul G. Hoffman illustrated the government's adaptability when he recommended in Paris on October 31 that the European Marshall Plan countries produce by January 15 a scheme to "integrate" their economies, in order to form a single market of regional scope.

The Truman Administration verbally supports the idea of European unity, as was demonstrated by Secretary of State George Marshall's approval in 1947 of the Fulbright resolution advocating creation of a United States of Europe. Nevertheless, Mr. Hoffman and the State Department had assumed until recently that the Marshall Plan countries could reach their common recovery goal without giving up their sovereignty by examining together their respective problems in the Organization for European Economic Cooperation (OEEC). The inability of Western Europeans to increase their trade with one another to any appreciable extent after receiving ERP aid for more than a year has now caused the Administration to seek something more than cooperation among sovereign states. In order to speed Europeans toward a goal which they prefer at best to approach slowly, Washington has been bolstering its recommendations with inspired newspaper reports that Congress cannot be expected to renew ECA appropriations next year unless the several countries integrate their economies.

The launching by the ECA of this serious effort to correct weaknesses in the present operation of the Marshall Plan inevitably prompts consideration of three obstacles to recovery: 1. The political restraints on the productivity of Germany, which before World War II accounted for a large portion of the intra-European trade Mr. Hoffman hopes to restore; 2. The lack of positive encouragement of trade by the West with Eastern Europe, which in the pre-war years lessened Western Europe's dependence on commerce with the dollar area; 3. The reluctance of the United States itself to integrate its economy more closely with the economies of the Marshall Plan countries.

Role of Germany

The need for an examination of the relationship of these three problems to the recovery of Western Europe has become urgent since seven Senators, after visiting the Marshall Plan countries, declared on November 3 that the United States should cut its appropriation for recovery assistance next year. The present level of appropriations for the ERP enables Western Europe to function despite the continued dislocation of production and commerce on the continent as a whole. Yet today Washington follows political policies toward Germany and Eastern Europe which may conflict with the intention of the United States to restore Europe to economic independence. In one respect—the containment of Russia and communism—the Marshall Plan is a device for financing those political policies. Therefore, as long as the policies exist,

the Marshall Plan will probably be needed, whether the Western European nations integrate their economies or not.

The influence on the Marshall Plan of the allied policies limiting German productivity through dismantling and other methods is one major problem which prompted Secretary of State Dean Acheson, British Foreign Secretary Ernest Bevin and French Foreign Minister Robert Schuman to confer in Paris this week. The three leaders are no longer certain whether the annual production of 10.7 million tons of steel authorized for what then was the British-American bizon by the Level of Industry Agreement of August 29, 1947 is now adequate. Nor are they certain that continuation of the program of dismantling German industrial plants for reparations—even under the terms of the agreement of last April 12 which were more generous to the Germans than the previous program—is desirable. Although the United States took part in the April decision to carry on dismantling, High Commissioner John J. McCloy on October 31, without consulting his British colleague, said: "If the Germans seek to avoid the dismantling which is the consequence of former German aggressions, it is the Germans who should come forward with serious proposals to avoid that consequence." His statement emphasized a divergence between the United States and Britain which has not yet been openly discussed. The issue of dismantling is complicated by the fact that Germany potentially is a competitor of Britain and France in the production of heavy goods and chemicals for

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the Western European market, and by the belief of some in Britain and France that Americans with investments in Germany oppose dismantling in order to defend their personal financial interests. Accordingly, the French government has implied that the three Western occupying powers should encourage the German Federal Republic to trade with Eastern Europe and thus widen the area of industrial competition. The continuing problem of how to limit the German threat to European security without at the same time repressing German productivity also still hampers decisions about the German economy.

United States and Europe

In an address to the National Foreign Trade Council on November 3 Secretary

Acheson reasserted the Administration view that the United States, which last year exported 14 billion dollars' worth of goods, and imported less than half that figure, must become an "importer in the world economy" in order to make European recovery possible. Yet United States domestic policies prevent serious attempts to integrate American and European economies. For example, Department of Agriculture officials disclosed on November 4 that the United States would decline to support the proposal of the United Nations Food and Agriculture Organization for the establishment of an international clearing house to channel farm surpluses to shortage areas.

At the same time, the Administration continues to regulate trade in support of

its political policy of containing the U.S.S.R. The Department of Commerce on November 4 began to prohibit shipment of "strategic materials" (basic industrial and petroleum supplies) to countries from which they might be transhipped to a nation under Soviet influence. While that measure harmonizes with past practice, it delays the return of conditions throughout the whole of Europe which are a prerequisite to the recovery of the Marshall Plan countries. Under these circumstances, the United States may be disappointed in the results of the Western European "integration" Mr. Hoffman seeks, even if the Western powers decide at Paris to relax restrictions on German production.

BLAIR BOLLES

Hague Agreement Opens New Phase for Indonesia

The demise of old-fashioned imperialism—proclaimed by India's Prime Minister Pandit Nehru during his current American visit and stressed by Ambassador Philip C. Jessup on September 18 in a speech before the American Association for the United Nations—was announced by Queen Wilhelmina of the Netherlands herself as early as December 6, 1942. Preparations for the last rites have been delayed seven years. On November 2 at The Hague Round Table Conference, representatives of the Netherlands and the embryonic United States of Indonesia finally signed a charter under which—following ratification—the formal transfer of sovereignty to the provisional government will take place by December 30 when a voluntary Dutch-Indonesian Union will come into being.

Result of Compromises

Although the agreements signed at The Hague are not completely satisfactory to either party, most observers believe that the foundation has at last been laid for continuing cooperation between the Netherlands and Indonesia. Credit for the success of the conference goes not only to the leaders of the delegations, who approached their task with moderation and willingness to compromise, but also to the UN Commission for Indonesia, which helped to resolve several deadlocks, and to the United States, which is reported to have urged concessions on The Hague.

Under the Charter for the Transfer of Sovereignty, the new Indonesian federation, including virtually all of the former

Dutch East Indies, will control its own army, police, foreign policy, financial and economic system and foreign trade. The Dutch will have to rely on mutual willingness to observe contractual obligations and on the decisions of an arbitral tribunal to safeguard their interests in Indonesia.

In the face of general harmony, one unsettled question still rankles with both parties—the fate of Dutch New Guinea. Paradoxically it was the Dutch-sponsored Federalists rather than the Republicans who most obdurately insisted that the new federation include this territory. The Hague, however, held out for retention of New Guinea in the Kingdom of the Netherlands, apparently feeling that this gain would appease certain critics of the Dutch government who were threatening to obstruct ratification of the round table agreements by Parliament. Finally a proposal of the UN Commission postponing settlement of the question for a year was reluctantly agreed to.

The Statute of Union, another document approved at The Hague, provides for "organized cooperation" between the two independent partners on a voluntary basis with equal rights and status. The major organ of the union will be a semi-annual conference of ministers—three appointed by each side—to discuss matters of mutual interest such as foreign relations, defense, finance and economic and cultural matters. Disagreements on matters of "law and justice" will be submitted to a Union Court of Arbitration consisting of six members, three to be appointed by each partner. Whenever the votes of the

court—which will act by simple majority—are evenly divided, the president of the International Court of Justice will be asked to name a seventh member to participate in a renewed consideration of the dispute. The statute also provides equal rights for the citizens of each partner in the territory of the other, save for the holding of certain specified political and judicial offices. The partners will also exchange high commissioners with the rank of ambassador.

Government Structure

The provisional constitution adopted at the round table conference was based on decisions reached on August 2 in Batavia by the Republic of Indonesia and the Federalists. The president (Republican President Sukarno is expected to fill this office) will choose three men to advise him on the selection of a cabinet and prime minister. A bi-cameral legislature, American style, will include a Senate—two representatives from each of the scheduled sixteen federal states (*negaras*)—and a House of Representatives—150 members, one-third of whom will come from the Republic, henceforth to be known as the *Negara Republik Indonesia*. Ethnic minorities—Chinese, European and Arab—will select nine, six and three delegates respectively. Within a year a popularly elected constituent assembly will draft a permanent constitution. Whether the basic features of the provisional regime, including its federal structure, will be retained depends on developments during the coming year.

The new government will take over responsibility for 4,300 million guilders (\$1,131 million), of which 3,000 million is an internal debt and the rest consists of external obligations. This figure, reached by a special arbitration committee, is about midway between the Dutch claim for 6,300 million guilders and the final Indonesian offer of 3,400 million. The latter had objected particularly to paying an estimated 2,900 million guilders for Dutch military expenses in Indonesia. Holland has also agreed to withdraw its forces within six months, if possible, but native troops may transfer to the Indonesian army. The naval base of Surabaya will be commanded by a Dutch officer responsible to the Indonesian minister of defense.

Difficulties Ahead

The new state faces many difficulties. The exact distribution of territory among the federal states may prove a thorny question, especially in South Borneo and East Sumatra. Determination of state boundaries is complicated by differences in

language, race, religion and degree of cultural development among the islands' 77 million people. Even more formidable will be the problem of improving the living standards of a people whose economy has been devastated by the Japanese occupation and the post-war fighting between Dutch and Indonesians. Moreover, the recent currency devaluation has increased the cost of importing needed food and equipment at a time when production of raw materials and goods for export has been seriously disrupted. Some outside aid, however, may be made available. Thus the remaining \$40 million of ECA aid—suspended on December 22, 1948 following the Dutch "police action"—has been released to the Netherlands again for use in Indonesia before the new government assumes sovereignty (ECA funds can be given only to Marshall Plan countries). Secretary of State Dean Acheson, furthermore, indicated on November 3 that the United States is studying means of aiding Indonesia—a step anticipated in the American *aide-memoire* to Jogjakarta of June 27, 1947.

The infant regime will face serious problems in consolidating its authority, unifying the scattered guerrilla groups into a disciplined national army, and liquidating the last vestiges of Communist military opposition. It must also create the machinery of government—despite the critical shortage of trained personnel—to administer a far-flung island empire whose length from Sumatra to New Guinea exceeds the distance from California to Maine.

Indonesia will soon apply for admission to the United Nations thus adding to the growing list of Asian countries which have achieved independence since World War II. Only French Indo-China and Malaya remain as the last two major areas in Asia still subject to imperial control. The final elimination of colonialism may lay the foundation for the growth of a progressive, non-Communist system in South Asia—a goal envisioned in Prime Minister Nehru's "Asian Monroe Doctrine."

FRED W. RIGGS

Europe's Poverty Challenges All Ideologies

So far as outward signs are concerned, communism in Europe, which seemed to be in the ascendant immediately after the war, is now on the wane. The prestige and power Communists had won after the Nazi invasion of Russia in 1941, when they placed their tightly knit and disciplined cadres at the disposal of resistance movements in German-conquered countries, have to a large extent been dissipated.

This change is due in part, but in part only, to the economic aid given by the United States to the sixteen Marshall Plan countries. For although American aid has unquestionably speeded post-war reconstruction, and has thereby acted as a brake on political extremism, it has clearly not gone to the roots of Western Europe's economic problems. Nor has it affected the situation east of Berlin, where international communism has met its greatest challenge since 1917—a challenge delivered neither by the socialist democracies of the Atlantic seaboard nor by the free enterprise democracy of the United States, but by the national communism of Marshal Tito, which has found echoes from the Baltic to the Black Sea.

Disillusionment with Russia and with the actions of local Communist parties has whittled down Communist ranks through-

out Western Europe and has sundered the labor unions—some of which continue to adhere to the Communist-dominated World Federation of Trade Unions, while others are supporting the newly formed democratic labor international organization which will hold its opening meeting at London on November 28. Yet in Yugoslavia, which has defied the Kremlin with greater vigor than any Western nation, the injection of nationalism into communism appears to have strengthened a Communist regime instead of weakening it.

Has Democracy Triumphed?

These developments raise two fundamental questions concerning the political future of Europe. If communism is actually declining in the West or at least has reached its high water-mark there, does this represent a victory for democracy? And if communism in Yugoslavia can thrive after a break with the U.S.S.R., is it accurate to say, as some observers have long said in this country, that communism is due solely to Russian influence and would disappear once the power of the Soviet government had been broken?

Except for Britain and the Scandinavian countries, where the widespread acceptance of Socialist regimes that preserve po-

litical liberties has assured stability, the decline of communism in Western Europe cannot yet be hailed as a clear-cut victory for democracy. In France, Italy and the West German state, socialism continues to vie for power not only with communism but also with what we often call liberalism—the desire of some groups to abandon all controls and planning and return to *laissez-faire*. Yet in many cases this "liberal" opposition to socialism, as Walter Lippmann has pointed out in recent articles from Rome, is "pseudo-liberalism, which is so often the masquerade of reactionary vested interests."

There has been a tendency in the United States to believe that European socialism is the sworn foe of liberalism and that one or the other must perish before Western Europe can be stabilized. Yet many responsible Europeans believe that, far from being a denial of liberalism, modern socialism attempts to fulfill the promises of wider political freedoms and greater economic opportunities held out by nineteenth-century liberals to the masses in highly industrialized countries. Nor is it possible to believe, in Europe, that mere maintenance of the economic *status quo* by governments that describe themselves as liberal will effectively solve the continent's

basic problem, which the United Nations Economic Commission for Europe has defined as that of prevailing poverty.

The issue was well illustrated in Italy on October 30, when in the southern province of Catanzaro a serious clash occurred between the police and a group of peasants who had illegally occupied privately owned land. The government of Alcide de Gasperi, in spite of promises made at the time of the critical national elections of April 1948, has made little headway toward settlement of Italy's admittedly complex agrarian problems—in part because of its reluctance to antagonize large landowners. The right-wing Socialists have so far cooperated with the de Gasperi cabinet—but if they should appear indifferent to the demands of the peasants, they may find the agricultural population drifting toward communism. This danger was underlined by the government's decision, once it had been confronted by force, to promise that it would find land for the revolting peasants who had none. According to Arnaldo Cortesi, Rome correspondent of the *New York Times*, this decision proved "the groundlessness of the assertion that nothing can be done for landless peasants."

Europe is still in a state of flux, still groping for political formulas that can prove workable in modern societies shattered by war and economic dislocations. But it is already clear that no European government can long survive which does not attempt to respond, either freely or under pressure, to the bare subsistence needs of the workers and peasants who, for better or worse, form the majority of the population of the continental countries. In making this response, even governments that are ideologically opposed to socialism find it impossible to evade the problems of human welfare which today are in the foreground of their peoples' preoccupations and discussions.

The basic issue is not whether, in theory, socialist nationalization or communism or *laissez-faire* is in itself wholly good or wholly bad. Frustrated and discontented people, many of whom are still illiterate or barely educated to political responsibilities, are far less interested in questions of doctrine than the leaders of clashing groups assume. And even in po-

lice states popular discontent cannot be entirely suppressed, as shown by Moscow's post-war efforts to meet consumers' demands. The real test of socialism, communism and liberalism in Europe, as in the case of the proverbial pudding, will come in the eating—in their practical capacity to satisfy at least the minimum needs of millions who have been aroused by the promises of nineteenth century democracy and of the Industrial Revolution to expect at least a modest improvement in their living standards and in their opportunities for personal development through education.

VERA MICHELES DEAN

(The third of three articles on socialism, communism, and the future of democracy in Europe.)

Branch and Affiliate Meetings

ALBANY, November 15, *Student Institute*, W. L. Godshall

*ALBANY, November 15, *United States Policy in the Far East*, W. L. Godshall, Lyman Hoover

*MILWAUKEE, November 15, *Is the ECA a Success?*, James G. Wadsworth, J. Martin Klotsche

*CLEVELAND, November 16, *China Today*, His Excellency V. K. Wellington Koo
CINCINNATI, November 18, *China Under the Hammer and Sickle*, Gerald F. Winfield

*NEW YORK, November 22, *Arms for Europe*, George F. Eliot, James P. Warburg

*Data taken from printed announcement

Labor and World Affairs

How much do you know about the increasingly active role played in international relations by labor groups? Why did the democratic labor groups split off from the WFTU? What programs do they plan to develop at the meeting of the new labor international organization which opens in London on November 28?

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LABOR AND WORLD AFFAIRS

by David Lasser,

Labor consultant to the ECA

November 15 issue

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News in the Making

ATOMIC TRUCE: New efforts to find a formula for the international control of atomic energy went forward at Lake Success despite the deadlock which has suspended the work of the Atomic Energy Commission. UN Assembly President General Carlos P. Romulo, in a speech at Indianapolis on November 5, proposed a temporary truce based on the suspension of atomic bomb production, with international inspection to safeguard compliance. The United States delegation on November 6 promised "serious and objective consideration" of his suggestions.

FAO CONFERENCE: The UN Food and Agriculture Organization will meet in Washington on November 21 to reconsider ways of increasing food production in underdeveloped areas while simultaneously preventing surpluses from piling up in high-production countries. On the agenda is a proposal for a \$5 billion "international commodity clearing house" to facilitate the transfer of such surpluses to deficit areas. However, the United States, which has large agricultural surpluses, is expected to oppose this proposal.

CIVIL WAR IN COLOMBIA? As armed factions of the Conservative and Liberal parties battle in outlying districts and the death toll mounts, hopes for a compromise settlement of the electoral issue in Colombia have reached the vanishing point. Extremists in the Conservative party, led by presidential candidate Laureano Gómez, have rejected President Ospina's "peace plan" for postponement of the November 27 elections, and the Liberals on November 8 withdrew their candidate, Dario Echandía, asserting the vote would be fraudulent.

STALIN'S SUCCESSOR: On November 6, the thirty-second anniversary of the Bolshevik revolution, Georgi M. Malenkov, long reported to have been selected by Stalin as his successor, emerged into public view with a keynote address in which he accused United States "warmongers" of seeking to turn the entire world into "an American colony." At the same time Malenkov declared that, although Russia "possesses the atomic weapon," it does not want war.